

## A Review of the Causes and Effects of Disparities in Global Financial Performances of Cooperative Societies

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**Abstract :** Unlike small and medium scale enterprises, there is no doubt that cooperative societies have attracted little attention from both the public and private sectors. This is not the case in industrialized countries such as Denmark, USA, Great Britain, etc; where they have contributed immensely to the GDP of their respective economies. A review by various scholars of the various ways of financing cooperatives in Nigeria reveals that there is no adequate nation-wide financing agency. This study aims among others to review through historical data the operational and policy frameworks of the global and Nigerian cooperatives societies and other dependent cooperatives scattered all over the globe and their emerging trends in sourcing for funds. The methodology used is the content analysis. Historical (secondary data) such as journals, articles, textbooks, newspapers and Internet etc are employed. The paper identified the financing gap existing in cooperative movement in order for them to assume their proper position in the scheme of things in an emerging global economy. This paper recommends that amongst others that the Small and Medium Industries Equity Investment Scheme (An initiative of the Bankers Committee) should be extended to Nigerian Cooperative Societies.

**Keywords:** Cooperative societies, Performance, Entrepreneurship, Consumers, Nigeria.

### 1 Introduction

Every business organisation (Profit and non-profit) requires funds for the achievement of its planned objectives. According to Salami (2000:34) internal sources of fund have historically constituted a large but steadily declining fraction while there is a secular increase in debt utilisation. This may be due to dwindling fund internally. However, only firms with collaterals assets can gain access to the debt market. Amao (1987:10) noted that small organisations over the years relied on self-financing, which were often insufficient for their growth and development. In the era of the Rochdale Pioneers it was cardinal that capital funds and resources needed to establish and run projects were generated internally. The guiding philosophy then was self-help through mutual help. . Members were motivated by a genuine force in finding ways of solving their personal problems. Cooperative societies have been developed in Nigeria with the active promotion and financial support of government. Therefore, with the financial resources of Government becoming leaner, these days, cooperative movements, as a mark of growth, should become more self-reliant.

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This is the only way cooperative independence can be achieved and perhaps contributes significantly to the economic, social and cultural transformation of their economies. According to Murty cited in Ijere and Akorie (1986:47) he emphasized the spectacular success of the cooperative movement in India within the field of sugar production and distribution, and in milk production and marketing and has been adopted by several countries. Ijere et al (1986:47) also stated that the India farmers' fertilizer cooperative Ltd (IFFCO) is a unique venture of cooperatives in India in field of manufacture of fertilizers and distribution and have been able to mobilize large amount of shares from members and the public. From the International Labour Organization Report, 89<sup>TH</sup> Session, June, (2001:31) the contributions of cooperatives to the economic growth were highlighted. From the ILO (2001) 89<sup>TH</sup> Session report, the United Nations estimated in 1994 that the livelihood of nearly 3 billion people, or half of the world's population, was made secure by cooperative enterprises.

In Burkina Faso, agricultural cooperatives are the largest producers of fruit and vegetables for the national market and in Cote d'Ivoire they are responsible for 77 percent of cotton production. In Uruguay cooperatives produce 90 percent of the national milk production and export 70 percent of the surplus wheat production. In the United States, in 1998, 33 percent of the agricultural market was comprised of cooperatives and rural electricity cooperatives operated more than half of the electrical lines, providing power to more than 25 million people in 46 states. In 1997, the contribution of cooperatives to GDP in the Philippines was 16 percent. During the same year, cooperatives in Denmark were responsible for 94 percent of milk processing, 69 percent of farm supply and 66 percent of cattle slaughtering. Folksam, Sweden insurance cooperative, held 48.9 percent of the household insurance market and 50 percent of group life and accident insurance. In the Republic of Korea, 40 percent of local agriculture was marketed through cooperatives. The lists are endless.

The objective of the study is to bring to the knowledge of Nigerian cooperatives societies and other dependent cooperatives scattered all over the globe, emerging trends in sourcing for funds in order for them to make meaningful contribution to the Gross Domestic Product of their economies. The ILO (2001:10) estimates that, out of a world labour force of 3 billion people, 25 to 30 percent are underemployed and about 140 million workers are fully unemployed. In short, the employment situation in the world remains largely grim and there is a pressing need for all countries to find new ways to overcome barriers to employment. With these persistently high levels of unemployment and underemployment there is mounting concern over the social exclusion that follows from the limited employment opportunities. It is the hope of this paper that Nigerian Cooperatives and other dependent cooperatives societies shall wake up from their present slumber to tap from varied sources of funds in order to contribute to the unemployment, underemployment rate and social exclusion that follows from limited opportunities. This paper is divided into sections. Section one dwells on the introduction, objective of the study, relevance of the study and theoretical review. Section two discusses the theoretical review and relevant literature while Section three discusses briefly the research methodology. Section four emphasizes current and emerging sources of finance to cooperatives. The paper ends with conclusion and recommendations.

## **2 Review of related literatures**

The term "cooperative has fallen into disrepute in many developing countries, particularly in those in which Cooperative were state-controlled in the past (e.g. in Ethiopia, Guinea, Madagascar, Mali, Sudan, United Republic of Tanzania and Vietnam) and membership was not voluntary. Members consider the Cooperatives "government affairs" and frequently do not

know their rights, because they have never been given a chance to use them in practice. According to the United Nations Secretary-General Cited in the ILO Report (2001:70) Cooperatives were regarded as a means of creating productive employment, overcoming poverty and achieving social integration, as well as of mobilizing and allocating social resources effectively. It also stated that World Summit for Social Development in 1995 endorsed this fact by committing itself to utilizing and fully developing the potential of cooperatives to create full and productive employment through the establishment of legal frameworks that would encourage them to mobilize capital and promote entrepreneurship.

Muenker (1995:2) suggested the need to adjust the cooperative model and particularly the laws to the needs of survival of cooperative enterprise. This implies that the efforts of cooperatives should be directed towards overcoming “structural weaknesses” of the cooperative form of organization, which could also be seen as typically cooperative sources of strength which means in clear terms by bringing the cooperative model closer to the company model where they can raise capital from members and non-members from the capital market e.g. making co-operative shares more attractive for investors, giving capital a more powerful position in the cooperative. The ILO (2001:77) opined that the raising of sufficient amount of capital is seen by many as the principal drawback of the cooperative concept. As the financial contribution to the cooperative enterprise is not rewarded in terms of power (because of the “one member, one vote” rule) or in terms of dividends (because many cooperative Laws fix a relatively low maximum rate for interest paid on shares), the individual cooperative members has little motivation to acquire more than the statutory required number of shares.

Cooperative legislation of several countries has addressed this problem by introducing innovative methods of raising capital. The ILO (2001:77) stated that the 1987 Cooperative Act of Sweden, for example, permits cooperative societies to accept debenture contribution from non-members. Such debenture contributions must not exceed the amount of the ordinary share capital and does not confer voting rights. Same applies to 1998 Cooperative Act of Canada which opened the door for several new financing options, including the issuing of investment shares and membership shares without par value and the 1992 modernizing Cooperatives Act of France which permits cooperative members to introduce in the Bye-Laws of their society provisions on non-member, investors and for the revaluing of shares through the incorporation of reserves. From the ILO report (2001), 1992 Cooperative Law of Italy limits the voting rights of so-called “financial backer members” to 33 percent and their presence on the board of directors to 49 percent. It is in the light of this framework discussed above, that the topic closing the financing gap for Cooperatives in Nigeria becomes very important just like other dependent Cooperative Societies in diasporas.

### Relevant Literature

Tunji (2003:39) stated that bank lending in Nigeria is usually short term either because banks lack incentives, means and skills to advance long-term credits or they are prevented from doing so because of the high cost of fund, lack of trust, and the general custom in Nigeria. He identified three problems in financing options for intercity transport. They are:

- Procurement of the vehicle and spare parts
- Maintenance culture, which is inherently absent in most of our day-to-day life in Nigeria
- Professionalism and general attitude towards finance

*Ikpefan, O.A (2010): Corruption is an issue that should be addressed if the huge resources involved in infrastructure financing are to be administered effectively. This is another point where ethical values such as accountability, code of good governance, transparency and*

*openness come to play. This becomes crucial if private/public sector partnership programmes are to be evolved. Establishment of infrastructure finance company wholly owned by government and funding provided or guaranteed by government, creation of dedicated infrastructure funds will assist PPP to perform better than expected.*

In Asia, it was concluded in an ILO workshop that several models have been developed to finance support services within an integrated cooperative system.

- a. Public –Private or donor cooperative partnerships, with matching funds being paid by the public partner or donor in proportion to funds rose by way of charges, fees and dues;
- b. Central fund models, where every registered cooperative society is required to contribute a certain percentage of its annual surplus to a central fund which promotes cooperative development, education and training (e.g. Malaysia) or finances the operations of a cooperative apex organisation (e.g. Malta, Singapore)
- c. Self financing by income-generating activities (e.g. ANGKASA in Malaysia, with its check-off system for credit purchases for consumer cooperatives)
- d. A foundation designed to dispense with government and donor contributions and to provide a reliable and lasting basis for the staff of a cooperative apex organization, service centre or research institute. Many cooperative federations, unions and apex organisations are still dependent upon government subsidies for their survival (e.g. the Ghana Cooperatives Council, and EKOPIN in Indonesia). Onah cited in Ijere (1975:134) listed the financial problem of cooperatives to include membership drawn mostly from less affluent sections of the population, limited amount of capital which can be subscribed, low income of members, short investment profile, difficulty in obtaining the refund of loans previously made to members, rigid and regular periods of loan (No loan will exceed one year).

Efobi cited in Ijere and Akorie (1986:35) stated that the problems traceable to cooperative financing include high level of illiteracy and bad management of their businesses. Illiteracy accounts for their inability to comprehend how loan applications can be filled and appraised, thereby leading to avoidable delays. Anyanwu (2000:12) stated that problems such as high rate of enterprise mortality, low educational status and lack of skills, high rate of loans, repayment default and inefficient credit administration as some of the reasons why financial institutions shun small organisations. Bature (2003: 188) in his findings, she posited that the problems of agricultural financing in Nigeria (Inclusive of the agricultural cooperatives) are lack of credit facilities, lack of technological know-how, lack of basic infrastructures and lack of securities. Ikpefan and Akande (2010) posited that *many business entities operate like independent communities as they have to generate their energy requirements, produce own water and communication facilities, construct own roads, etc. It concludes that creating in conjunction with the investing public and government an investor-friendly and an enabling environment will facilitate the country's bid to attract inward foreign investment.*

Ikide and Yinusa cited in Research Report No. 12 (1998:3) stated that a shift from informal and internal sources to formal and external sources would be expected as enterprises graduate to larger sizes. Oguntoye (1987:10) identified the problems and constraints to rapid development and growth of small businesses in Nigeria to insufficient credit facilities, which they have battled for the past two decades. From the international perspective, Campbell (1951:103) posited that the attitude of the Government in China is perhaps more actively favourable to cooperation than in any other country in the world. There the banks have proved ready to invest enormous sums in loans to cooperative societies, and are still only too anxious to invest more. Ogubunka (2000:6) classified the sources of finance into three major categories: long-term, medium-term and short-term. Long-term are funds with repayment tenor of not less than five

years, medium term finance refers to fund made available for use between two and five years while short term finance are arranged for repayment within twelve months. Studies conducted by Ijere (1992:143) in Kaduna, Kano indicated that an important obstacle to growth in cooperatives is more political than anything else. In Kwara state for all cooperative societies and the unions, the internally generated fund is a small proportion of the entire fund. The Anambra state cooperative financing Agency remains today a classic case of conflict between bureaucrats and cooperatives as the later try to make the bank really cooperative in name and function.

One of the seven ICA (International Cooperative Alliance) principles adopted in 1995 was Member Economic Participation. According to Hoyt (1996:5) this principle deals directly with the very difficult problem of capital acquisition by cooperative in amounts large enough to compete effectively with vast global industries. Although members own millions of dollars that they might invest in cooperatives, the previous restrictions on dividends to be paid on capital did not encourage them to invest beyond the required amounts. Consequently, cooperatives have not being able to generate equity for capital-intensive projects nor have they been able to maintain the value of invested capital during inflationary times.

The strict limitation on dividends to capital has been lifted in the 1995 principles, which now imply that cooperatives compensate capital and labour fairly. In Denmark some cooperatives have decided to organize and then get capital from banks, insurance companies, and pension funds. Usually the cooperative keeps the decisive majority of the stocks of the corporation, but the risk is shared with others. ILO Report (2001:11) posited that cooperation takes place between persons (entrepreneurs) and small or medium-sized enterprises (SME's). It is most common between farmers operating above the subsistence level. Business cooperation is used to build the capacity of SME's (including individually or family owned farm enterprises) helping them to compete, sustain profitability and maintain their independence. The success of SME's frequently depends upon their ability to work in cooperation with similar enterprises. According to ILO (2001:37), the cooperative financial sector has been the most dynamically growing cooperative sector in terms of turnover worldwide. It is estimated that the financial cooperatives increased by about 350 percent from 1960 to 1986. Since 1972, worldwide credit union savings and loans have both grown at annual rates of 15 percent, while assets have grown by 16 percent annually. At the end of 1997, the world council of credit unions (WOCCU) alone comprised 34,839 credit unions and 95,926,879 members in 28 African, 11 Asian, 3 Pacific, 13 Caribbean, 16 Central and South America and 5 North American and European countries, with more than 72.5 million members in North America alone. The cooperative people's bank, which was started 80 years ago in Quebec to help the French Canadian community economically and socially, has meanwhile become one of the world's largest single cooperative movements, reporting over 4 million members.

### **Lessons from Other nations**

When it comes to capital formation, cooperatives are clearly at a disadvantage compared to other types of enterprises. The cooperative legislation of several countries has addressed this problem by introducing innovative methods of capital raising. According to [www.ilo.org](http://www.ilo.org), the 1987 Cooperative Act of **Sweden**, for example, permits cooperative societies to accept debenture contributions from non-members; such debenture contribution must not exceed the amount of the ordinary share capital and does not confer voting rights. The 1998 Cooperatives Act of **Canada** opens the door for several new financing options, including the issuing of investment shares and membership shares without par value (whose value fluctuates according to the cooperatives financial).



The 1992 Modernizing Cooperatives Act of **France** permits cooperative members to introduce in the bye-Laws of their society provisions on non-member investors and for revaluing of shares through the incorporation of reserves. Cooperative lawmakers must solve the problem of how to satisfy the need for flexible methods of capital formation without departing from cooperation principles. In several countries (for example **Germany, Italy, South Africa and partly in France**), the “one member, one vote” principle has been soften up or simply abandoned to facilitate capital mobilization. The major obstacles to the development of cooperatives in developing countries include: misconceptions among policy-makers and planners of what cooperatives are and how they work; unrealistic expectations of what cooperatives can actually accomplish; the establishment of cooperatives irrespective of whether or not the minimum requirements for successful cooperative development are; and the artificial acceleration of cooperative. In developing countries, the need for clear guidelines on ways to promote, establish and run cooperatives is as great now.

### **Some notable performances of cooperatives societies**

**Fisheries**-Fishery cooperatives bring together all those working in the fishery sector, whether they are involved in the actual capture, processing and/or marketing; and they exist in nearly all countries of the world. **In Canada**, fishery cooperatives regrouped nearly 10,000 individuals in over 55 fishery cooperatives in 1992, accounting for 8 percent of the national market in fishery products and turning over nearly 190million Canadian dollars. **In 1995 India** had about 9,300 fishery cooperatives with a membership of 956,000 persons, while the 1,995 fishery cooperatives in **Japan**, representing about 350,000 individuals, were responsible for nearly 70 percent of the total value of national fisheries’ production.

**Housing**-In most other European countries housing cooperatives are involved in the construction and renting of affordable accommodation, as well as in pooling building equipment for smaller construction companies. According to [www.ilo.org](http://www.ilo.org), the largest provider of social housing might be the French Societe des habitations a loyers moderes (HLM), which supplies large low- cost housing areas in most of the biggest towns in France. Similar schemes exist in Bulgaria, Estonia, Germany, Hungary and Poland. Housing cooperatives in Austria, Germany and Sweden show a remarkable sensitivity to appropriate construction for the special needs and handicapped people as well families with several children.

**Electricity**-In the United States rural electricity cooperatives operate more than half of the electrical lines, providing power to more than 25 million people in 46 states. In Argentina electrification cooperatives already began work in the 1920s to balance the power of foreign monopolistic suppliers. Similar schemes exists in Bolivia, Chile e.t.c

### **Trends in Cooperative Provision of Social Services**

Cooperatives and mutual societies active in the insurance field could, and indeed do, offer a wide range of insurance products (health, disability insurance, etc) at a cost and of a quality other providers cannot attain. Nineteen of the 72 insurance cooperatives belonging to the international Cooperative and Mutual Insurance Federation (ICMIF) offer health insurances. They operate in 16 countries: Belgium, Canada, Colombia, Denmark, Ecuador, France, Germany, Italy, Japan, Republic of Korea, Malaysia, Peru, Singapore, Spain, the United Kingdom and the United States, including Puerto Rico. In Canada, 37 health cooperatives and nine cooperatives already cover 228,000 people and in the United States user-owned health cooperatives reach an estimated 1 million households. From the times of the Rochdale Pioneers onwards, cooperatives have been encouraged to set aside surplus earned for the education of members and their children. These days there is a new drive to promote cooperation education

in European schools. Under the auspices of an ICA- sponsored transnational project to further the diffusion of cooperative values and principles in schools it was found that cooperative projects, cooperative methods and cooperative issues already formed part of ordinary school curricula in certain schools at least in Belgium, France, Hungary, Italy, Portugal, Romania, Slovakia, Spain, Sweden, Turkey, and the United Kingdom.

### **3 Methodology**

This paper being descriptive and historical relied heavily on secondary sources of information. The descriptive and historical method has been resulted to because Hopf (1944) (cited in Gill and Johnson 1991; Ranjit (2011) observe that descriptive and historical methods were beneficial because the historical point of view which is the point of view of change will enhance the understanding and extend the horizon. It will be difficult to find a more confident and clearer statement in support of descriptive and historical methodology than this. This is because Hopf's (1944) statement was based on the belief that the changing events and developments of the past provided understanding of the dynamics of ordered human enterprise (Zikmund (1994). This type of research methodology was regarded as one that does not fit into either quantitative or qualitative research method (Yin (2003). It utilizes elements of both within the same study. This type of research methodology can also employ multiple variables for analysis (if needed); on the other hand it is unlike other methodology in that it requires only one variable, and in the present study the variable is reputational risks (Churchill 1995, Agwu 2014). The four main purposes of secondary sources methodology are: to describe, to explain, to validate findings and to infer from all the findings having been validated to be true (Yin 2003; Kothari 2004; Ranjit 2011).

### **4 Current trends in Nigeria cooperative societies financing**

Financing cooperatives include Thrift and loan societies. These help to provide members with the finances necessary for their operations. These cooperatives resemble the traditional "isusu" clubs but are better organized and charge lower rates of interest. Thrift and Credit cooperatives are very popularly known in Eastern states. However, the Thrift and credit, and Thrift and Loan societies are diminishing in importance nowadays in Nigeria because of the growth of banking into the rural areas. Other sources of funds are, communal withholding of palm cutting, donations and confiscation of the property of defaulters. Their methods of debt collection are communal or group guarantee, property pledge, deposit of a chieftaincy title or certificate if applicable or use of the local most fearful masquerade or god of thunder. In the past the governments have made efforts to meet the farmers credit needs through:

(1) Cooperative banks; People's bank (defunct); Community banks; Credit infusion through the better life programme; Agricultural loans board; Fund for small-scale industries, Establishment of Agricultural Credit Corporation; Nigerian Agricultural and Cooperative Bank; Funds for Agricultural and Industrial Development; Agriculture Credit Guarantee Scheme Fund (ACGS). In sourcing for finance, cooperative societies derived funds from shares, entrance fees, commission on produce sold, borrowing, savings and fixed deposits by members, government subsidy and grant, levies, refunds of expenses and/or remuneration by unions or by the government or other purchasing agencies and other miscellaneous sources approved by the registrar at both state and federal ministries respectively. The funds of the societies may be held in the form of reserve, depreciation funds, insurance funds, development, education, propaganda or other funds approved by the general meeting and the Registrar, and current or savings bank

accounts or cash. The funds of the society shall be applied only to the furtherance of its stated objects in accordance with the bye-Laws.

### **Emerging Sources of Funds for Cooperative Financing**

The recent changes made in Cooperative Legislation in Western Europe, North America, New Zealand, Australia and Japan substantially originate from the desire of the law makers to grant cooperatives sufficient flexibility to adapt to a highly competitive environment without abandoning cooperatives principles and democratic control. New form of capital formation close to the company model now exists in France (1992), Germany (1994), Australia (1997), and Canada (1998). Several new laws allow cooperatives to covert into other forms of company Sweden (1987), Germany (1994), Canada (1998). Like other advanced countries, cooperative development in Nigeria should not be made static but should reflect changes in the social, political and economic conditions of the respective country. The new sources of finance in an emerging cooperative market are: Trade Credit; Hire Purchase; Lease Arrangement; Venture Capital Companies; Insurance companies; Finance House; Mortgage Institutions; Development Finance Institutions; Capital market; Foreign Debt finance; Nigeria Export and Import Bank (NEXIM); Poverty Eradication Fund; Non- Governmental Organisation (NGO).

### **Trade Credits**

Cooperatives Societies derive much of its working capital needs from its suppliers. This it does by seeking and obtaining extended credit period from its suppliers. This form of credit can subsist for a long time provided debtors honour their obligations as at when due and the financial condition of the lender (institution) remains healthy.

### **Hire Purchase**

Under this arrangement, a cooperative society may enter into hiring rather than outright purchase of the equipment/machinery. The practice is for a hire purchase company (e.g. Finance House) to buy the needed equipment and hires it out to the co-operators with the understanding that they will pay hiring charges or exercise the option to buy the equipment at the end of the hire purchase agreement. This will help conserve the fund of cooperatives instead of expending huge amount of money on the equipment. Farmers can avail themselves of this opportunity.

### **Lease arrangement**

Under the lease arrangement, the lessor (say a finance company) purchases the goods (e.g. equipment) and leases it out to cooperatives on payment of periodic rental. At the end of the lease, the goods revert back to the lessor. Again, cooperative societies have the benefit of using the goods at rental amount rather than purchasing it at huge amount of money.

### **Venture Capital Companies**

Venture Capitalists provide capital for investment in new enterprise. Usually, finance is provided in debt form, sometimes with option to convert to equity.

### **Insurance Companies**

In the finance market, insurance companies provide long-term investments. They usually invest by means of equity or debts. Nigerian Cooperatives can avail themselves of this opportunity.

### **Finance House and Mortgage Institutions**

Finance houses provide several financial services such as LPO- local purchase order financing, hire purchase and leasing. On the other hand, in industrialized countries primary mortgage institutions provide finance for the construction, development and purchase of house for both private and business purposes.



**Development Finance Institutions**

Development finance institutions have been playing leading role in promoting cooperatives societies in the industrialized countries such as Sweden, Germany, U.S.A, France e.t.c. In Nigerian, Bank of Industry (BOI) can play such role in promoting cooperatives. BOI is a product of Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) and National Economic Reconstruction Fund (NERF). The bank was commissioned in May 2002 by President Olusegun Obasanjo. It is expected to provide medium to long-term finance for SMEs. Cooperatives Societies also constitute a percentage of SMEs and can also benefit from the funds.

There is also another DFI's created recently a merger of Nigerian Agricultural Cooperative Bank and People's Bank of Nigeria. The merger resulted to Nigerian Agricultural, Cooperative and Rural Development Bank. Cooperative Societies who are involved in agriculture and rural development ventures will find this bank useful in sourcing their medium to long-term finances.

**The Capital Market**

Using the company model mentioned earlier in the theoretical framework in this paper and as obtained in the industrialized countries, this market is actually where institutions obtain the needed long-term finance. Some of the Nigerian Cooperative Societies cannot delay being listed either in the first –tier or second-tier securities market. Unfortunately, because there are many conditional ties, which must be fulfilled, not many cooperatives societies are willing to access funds via the market. The market provides opportunity for equity and debt finance. Those who buy the cooperative shares become part owners in the enterprise that sold the shares. Debentures are private company debt instruments unlike bonds and stocks, which are government debt instruments. A debenture holder is entitled to payment of agreed interest and is not a part owner of the enterprise. The platform for the floatation and trading of financial instruments in the capital market in Nigerian is the Nigerian Stock Exchange (NSE). Cooperative Societies that wish to source money through this avenue should consult their bankers or stockbrokers.

**Nigeria Export and Import Bank (NEXIM)**

They provide debt finance to enterprises involved in the manufacture of export goods and import of raw materials and machinery for export products. Cooperatives Societies involved in export of goods can source their medium to long-term fund from this window.

**Foreign Debt Finance**

In the industrialized countries, international financial institutions like the IFC (International Finance Corporations) provide loans to cooperatives societies. In Nigeria, they also provide loan funds to Nigerian banks for on lending to needy enterprises. The Nigerian banks serve as intermediaries between the beneficiary, local enterprises and the international financial institution. Though, this type of finance is grossly limited in the country, it could be a viable source of fund for Nigerian Cooperatives Societies.

**Non-Government Organisation (NGO)**

These are also helpful in financing projects of cooperatives in the industrialized countries. Such practice exists in Japan, Germany, and USA, etc. A few exist in Nigeria, which can be tapped by Nigerian Cooperative Societies.

**Poverty Eradication Fund**

It was reported that Obasanjo Government in 2002 set aside N10 billion to actualise this dream. Jonathan administration in 2012 introduced the surety programme to alleviate the suffering of the poor. This may be a source of fund for Nigerian Cooperative Societies, especially those in the rural areas and with focus on poverty reduction/ eradication.

## **5 Discussion, Conclusion and Recommendation**

A positive-oriented bridging of the financing gap for Nigerian Cooperative Societies should start with the rehabilitation of dilapidated infrastructural facilities and improved living standard. With improved telecommunication facilities (GSM), government should also step up construction of rural roads where we have abundant baskets of cash crops from agricultural cooperatives, extend and maintain stable electricity in both rural and urban areas for storage of perishable items. In the 21<sup>st</sup> century, Nigerian Cooperatives are yet to make any meaningful contribution to the Gross Domestic Product (GDP) like the industrialized countries because of the above missing gaps. Management has always been a problem in this sector as most cooperatives do not have the required management expertise to carry them through once the business starts growing. The situation gets worse as training is not usually accorded priority. Cooperatives Societies are usually characterized by poor records keeping and that usually starve them of necessary information required for planning and management purposes. Besides poor capital outlay mentioned earlier on, government policy instability has not been helpful to agricultural cooperative societies. This has sent many cooperative societies into extinction. A practical example was the policy in the 80's, which specified that cocoa should not be exported in raw form after a specified deadline. Based on that policy, many investors imported machines for intermediate processing of cocoa beans but before the deadline, the government back-pedalled and that adversely affected investors some of whom had borrowed to set up the intermediate processing outfits.

The following recommendations are therefore proffered:

The Small and Medium Industries Equity Investment Scheme (An initiative of the Bankers Committee) should be extended to Nigerian Cooperative Societies. The SMIES is a scheme under which banks agreed to set aside annually, 10 percent of their profit before tax for equity investment and promotion of small and medium industries to stimulate economic growth and development of local technology. With respect to the share capital which is the main source of cooperative finance and which restricts shareholding to a maximum of one-fifth of the share capital of a registered society need to be reviewed. This will pave way for large scale investors who would wish to purchase as many shares as possible. There should be occasional inspection of the agricultural project. Agricultural credit supervisory committee should supervise agricultural credit. Preferential rates of interest will help to encourage both agricultural and industrial production. Establishment of an insurance scheme for agricultural production is already overdue and deserves no further delay.

Government should embark on infrastructural development especially in areas where cooperatives enterprises are set. This will serve as an incentive as it will reduce the unit cost of production to enable cooperatives societies compete with other industries. Government should guarantee a fairly stable policy regime to make planning by cooperatives easy. Greater discipline and possibly a code of conduct should be enforced by the Association of Cooperative Societies (if any exist) to ensure that its members act with decorum especially in managing borrowed funds. There is need for cooperative societies to embark on continuous training of their staff to ensure that high quality manpower that can manage the sector is maintained. That will help in the realization of the set objectives. Bankers and other financial institutions that fund cooperatives societies should be encouraged by way of adequate incentives.

In addition cooperative societies deserve substantial market support from government, which should come in the form of patronage from government and more importantly in the provision of conducive fiscal policy environment. Cooperative societies require protection from unfair competition and dumping as the cooperative societies in Nigeria are being pushed out of business by the indiscriminate dumping of inferior substitute goods. Finally, the policy that cooperative societies shall not borrow money or accept deposits from any external source (except in accordance with the bye-laws of any union of which it is a member) without the written permission of the Registrar need to be amended. Also to minimize waste of fund there should be close collaboration between the research institutes and universities on one hand and between cooperatives and these institutions on the other.

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